

**Fleet Services Contract
and Follow-Up Audit
December 2006**

City Auditor's Office

December 15, 2006

Honorable Mayor and Members of the City Council:

I am pleased to present the City Auditor's Office's report on the fleet services contract at the City of Arlington. The purpose of the audit was to verify that the contractor complied with contract provisions and to follow-up on management's implementation of recommendations presented in a January 2005 internal audit.

Management's responses to our audit findings and recommendations, as well as target implementation dates and implementation responsibilities are included in the following report.

We would like to thank First Vehicle Services and staff for their cooperation and assistance during this project.

A handwritten signature in black ink, appearing to read "Patrice Randle". The signature is fluid and cursive, with the first name "Patrice" and last name "Randle" clearly distinguishable.

Patrice Randle, CPA
City Auditor

c: Jim Holgersson, City Manager
Fiona Allen, Deputy City Manager
Ron Olson, Deputy City Manager
Trey Yelverton, Deputy City Manager
Theron Bowman, Interim Deputy City Manager

Fleet Services Contract and Follow-Up Audit

Table of Contents

	<u>Page</u>
Executive Summary	1
Audit Scope and Methodology	2
Background	3
Detailed Audit Findings.....	5
Audit Follow-Up.....	14
Vehicle Service Notice	Exhibit I
Monthly Safety Inspection Report.....	Exhibit II

FLEET SERVICES CONTRACT AUDIT



Office of the City Auditor

Patrice Randle, CPA
City Auditor

Report #06-05

December 15, 2006

Executive Summary

***The City Auditor's Office
primarily reviewed fleet
maintenance activity from
October 2005 through
May 2006***

***There are opportunities to
improve the City's
management of the fleet
services contract***

***Nine of 15 prior audit
recommendations were
implemented, two were
partially implemented,
and four were not
implemented***

Opportunities for Improvement

- ***Annual contractor
cost reconciliations***
- ***Detailed subcontractor
invoices***
- ***Timely vehicle safety
inspections***
- ***Written procedures***

The City Auditor's Office has completed an audit of the City's fleet services contract in accordance with generally accepted government auditing standards. The objectives of the audit were to verify that the contractor was in compliance with significant contract provisions and to follow up on prior audit recommendations.

The City Auditor's Office concluded that the contractor is providing maintenance that supports the effective delivery of municipal services. However, the City's process for assessing the reasonableness and cost justification for services should be strengthened.

The contractor provides detailed spreadsheets to support its monthly invoicing. Although these spreadsheets include total labor, parts, and subcontractor costs by work order, City staff did not review subcontractor invoices for propriety.

While there was no evidence that contract compliance issues resulted in inadequate service, we did identify instances of untimely maintenance. Our audit results indicated that annual vehicle safety inspections ranged from a few days to more than seven months late, and low-use vehicles (normally assigned to administrative areas) required preventive maintenance on an annual basis but were sometimes not serviced at all within a single year.

The City has established written policies governing the use and identification of City vehicles. However, written policies and procedures governing management of the City's fleet do not exist.

Follow-up to prior audit recommendations indicated that more than half of the prior audit recommendations had been implemented by management.

These issues have been reported in the Detailed Audit Findings section of this report.

Audit Scope and Methodology

The City Auditor's Office reviewed a sample of 49 non-target work orders that were generated between October 2005 and May 2006. The work orders were reviewed to determine the extent of compliance with the City's contract. Additional work orders were reviewed when considered necessary.

The fleet services contract audit was conducted to satisfy a 2006 audit plan requirement. The follow-up was conducted to assess the status of audit recommendations made in a January 2005 internal audit report. Our audit objectives were to verify that the contractor was in compliance with significant contract provisions and to determine whether prior audit recommendations had been implemented.

The following methodology was used in completing the audit:

- Reviewed existing policies and procedures
- Reviewed the City's bid document and the contractor's (First Vehicle Services) bid response
- Reviewed activity recorded within the automated fleet system (FleetFocus) and supporting documents
- Reviewed the City's financial system
- Interviewed Environmental Services and First Vehicle Services' employees
- Physically observed repair shops
- Reviewed prior internal audit report

Background

Prior to 2003, the City's Fleet Services Division was responsible for maintaining City vehicles. The City of Arlington outsourced this function and entered into a contract with First Vehicle Services (FVS) in August 2003. Three positions within the Fleet Services Division remained after the outsourcing: Fleet Contract Administrator, Parts and Purchasing Supervisor and Parts Technician. The Parts and Purchasing Supervisor position was eliminated after our 2005 internal audit report concluded that many of the duties assigned to that position required handling by a more senior level employee.

The City's contract with FVS was amended to require that FVS assume the duties formerly performed by the Parts and Purchasing Supervisor. Some of the duties formerly performed by the Parts and Purchasing Supervisor included planning the ongoing vehicle replacement schedule, cascading vehicle assignments throughout the fleet, assigning unit numbers and classes to all new vehicles, and preparing all associated paperwork for auctions. Management also reclassified the Purchasing Technician to Fleet Technician, a lower classification.

FVS was contracted to provide maintenance and unscheduled repairs to the City's fleet, which consists of passenger cars, trucks, Handitran buses, emergency apparatus and heavy equipment. FVS maintains the City's fleet at two repair shops that are leased from the City. The south repair shop (Green Oaks) handles mostly heavy equipment. The north repair shop (Main Street) handles mostly police, fire and other equipment. Heavy duty equipment is repaired at the north repair shop when needed, and park landscape equipment (non-fleet) is occasionally serviced upon request.

Under the fleet services contract, the City is billed under two cost categories: target and non-target.

- *Target charges* – Charges that are preventive in nature, and are paid based on a fixed price.
- *Non-target charges* - Charges that are more unpredictable in nature and cannot reasonably be estimated in advance. Non-target charges that relate to parts and subcontractor services are paid at cost, without markup. Non-target charges that relate to labor are paid at the fully-burdened labor rate.

Target and non-target charges are classified as follows:

Target Charges	Non-Target Charges
<ul style="list-style-type: none">• Preventive Maintenance• Vehicle Safety, Emissions and Other Inspections• Routine Mechanical Repairs• “Quick Fix” Repairs (e.g., fuses and light bulbs)• Comprehensive Tire Services• Warranty and Recall Work	<ul style="list-style-type: none">• Accidents – damage caused by operator error or by another vehicle that resulted in an accident report• Physical Damage – damage resulting from vandalism, theft, unreported accidents, etc.• Extended Life – major repairs to a vehicle in service beyond the replacement guidelines for a vehicle of that class• New Vehicle Preparation & Decommissioning – activities and services to place a vehicle in service and prepare a vehicle for sale• Capital Improvement – requested modification to a vehicle or piece of equipment

Major goals surrounding the fleet maintenance contract were to develop an optimized vehicle maintenance model that:

- provided an industry standard level of fleet maintenance services to City departments to support the effective delivery of municipal services to the residents of Arlington;
- provided high quality fleet maintenance services and products; and,
- provided the most competitive prices available.

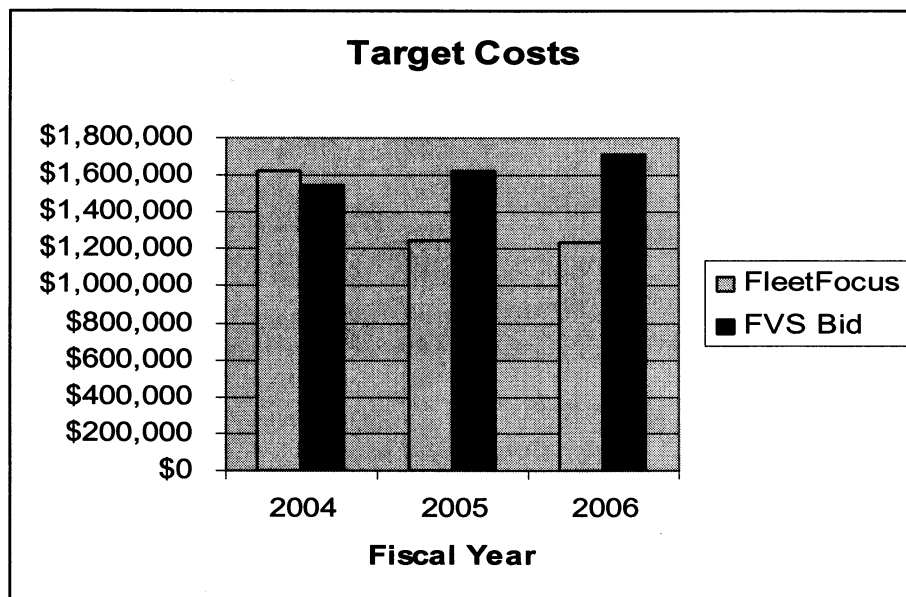
While First Vehicle Services is responsible for providing fleet maintenance and repair services, the Environmental Services Department remains ultimately responsible for the delivery of all fleet services within the City and managing the contract. As of October 2006, a one-year contract renewal option remains with FVS.

Detailed Audit Findings

1. Annual contract cost reconciliation not submitted by contractor, nor requested for review by City management.

The City's bid document requires that at the conclusion of each contract, the contractor submit an annual summary of target costs in its standard revenue and expense format. Differences between the contractor's revenue and expense statement and information extracted from FleetFocus are to be reconciled by the contractor so the City can judge the reasonableness of the contractor's actual expenditures in relation to the target costs bid. If the contractor's actual expenditures vary by more than five (5) percent from the target bid, the bid document states that the City reserves the right to direct the contractor to increase spending and service levels and/or rebate funds to the City. Our audit results indicated that no such reconciliation was requested by, nor submitted to, the City. Rather than requiring documented reconciliations, management relied on physical observations and dialogue with the vendor.

The following chart compares total target costs extracted from FleetFocus to FVS' total target costs bid.



- In 2004, target costs extracted from FleetFocus exceeded FVS' target costs bid by approximately \$77,000.
- In 2005 and 2006, FVS' target costs bid exceeded the FleetFocus target costs by approximately \$375,000 and \$477,000, respectively.

Internal Audit requested and received a copy of FVS' 2005 revenue and expense statement. Although management had not deemed the revenue and expense statement necessary, the statement is required in order to determine whether contract expenditures are reasonable.

Total target costs in the 2005 revenue and expense statement (\$1,627,445) agreed with FVS' target bid amount. However, none of the statement components (labor, parts, subcontracts), agreed with FleetFocus. Based on the number of target labor hours recorded in FleetFocus in FY 2005, the City paid FVS in excess of \$70 per each recorded target labor hour, as shown in the table below:

Analysis of First Vehicle Services Costs FY 2005		
Total Fee		\$ 1,627,446
Payroll	\$ 852,027	
Parts	463,264	
Sub-contract Costs	109,243	
Overhead	107,674	
Total Expenses		<u>1,532,208</u>
Contribution to Margin		<u>\$ 95,238</u>
 Components Included in the FleetFocus Labor Rate (Excludes Profit)		
Payroll		\$ 852,027
Overhead:		
Uniform	\$ 11,993	
Solid Waste	5,754	
Tools & Equipment	36,555	
Travel Expense	10,179	
Safety Expense	1,797	
Recruit/Hire Expense	1,563	
Maintenance, Training, Seminar	3,066	
Start Up	34,734	
Employee Welfare	1,810	
Professional Services	223	
Total Overhead		<u>107,674</u>
Payroll and Overhead		<u>\$ 959,701</u>
Labor Hours Recorded in FleetFocus		<u>12,207</u>
Labor Rate per Hour Recorded in FleetFocus		<u>\$ 78.62</u>

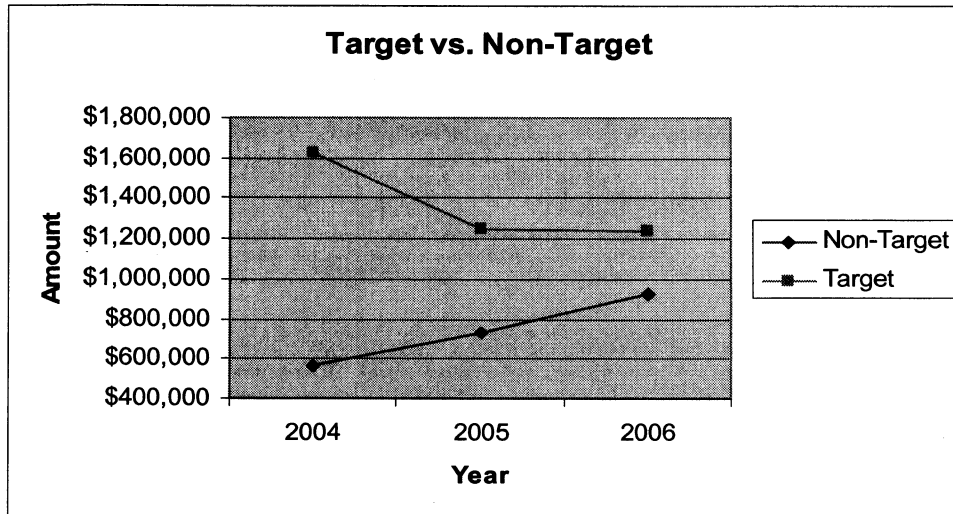
Source: First Vehicle Services FY 2005 Revenue and Expense Statement and FleetFocus data

FVS' bid response also states that "Non-Target work performed during normal work hours by our core staff will NOT be billed to the City, until such work extends beyond our normal shop hours." Since City staff was not aware of what comprised FVS' core staff, the City cannot determine whether work billed as non-target was performed with excess target capacity. FVS indicated that other than the City not being billed for non-target work requiring only a small amount of labor, the City was billed non-target for all non-target services performed.

The following is an example of available cost savings when core staff/target capacity is known.

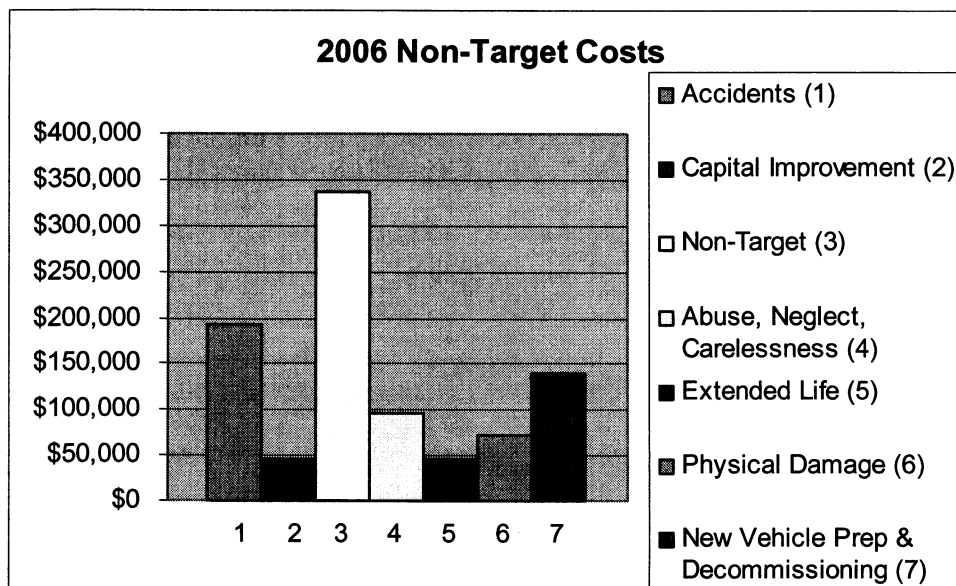
Target Capacity: 2 FTEs working 8 hours (a total of 16 hours) @ \$45.00 per hour	
<p align="center">Scenario 1 (Current Practice)</p> <p>Five <i>target</i> work orders billed at <i>eight labor hours</i> during normal shop hours</p> <p>One <i>non-target</i> work order billed at <i>eight labor hours</i> and performed during normal shop hours.</p>	<p align="center">City's Cost</p> <p>fixed target cost - \$720.00</p> <p>$\\$45.00 \times 8 \text{ hours} = \underline{360.00}$</p> <p>Total: <u>\$1,080.00</u></p>
<p align="center">Scenario 2 (Known Target Capacity)</p> <p>Five <i>target</i> work orders billed at <i>eight labor hours</i> during normal shop hours</p> <p>One <i>non-target</i> work order billed at <i>eight labor hours</i> and performed during normal shop hours.</p> <ul style="list-style-type: none"> • Since the eight <i>non-target</i> hours are within the contractor's 16-hour <i>target</i> capacity, they are already accounted for in the City's fixed target cost. • The City is in a position to require that the contractor not bill an additional cost for <i>non-target</i> work performed with excess <i>target</i> capacity. • The City saves \$360.00. 	<p align="center">City's Cost</p> <p>fixed target cost - \$720.00</p> <p align="right"><u>0.00</u></p> <p>Total: <u>\$720.00</u></p>

FleetFocus records indicate that the City's non-target costs (those that are more unpredictable in nature and cannot reasonably be estimated in advance) have been on the rise since the fleet services contract was initiated. In FY 2006, the City budgeted \$735,000 for non-target services. However, approximately \$935,000 was expended. Target costs (those preventive in nature) declined between the first and second year of the contract, but remained more constant in 2006, as shown in the following chart.



Source: FleetFocus

FleetFocus records indicate that 2006 non-target charges were categorized as follows:



Source: Fleet Focus

NOTE: FVS began using more descriptive reason codes in 2006. Prior to descriptive reason codes, non-target work was classified in a general "non-target" category, as indicated in the chart above.

With non-target costs on the rise and very difficult to estimate, it would be a good business decision to strengthen controls over the overall management of non-target services. Although Fleet Services indicated that user departments are briefed on a routine basis, the City's management of non-target costs could be improved if maintenance activity reports are provided to departments on a routine basis, specifically repairs that are related to abuse/neglect, accidents and physical damage.

Department Heads are more likely to be aware of their department's share of non-target costs if they are provided such information. The routine user reports could provide information related to the amount and types of maintenance costs specifically incurred by their department (abuse, accidents, etc.), and could place departments in a position to more promptly address problem areas that could perhaps lower non-target maintenance costs. The departmental user reports may also help identify erroneous billings to the City.

Recommendation:

The Environmental Services Director should require that, while operating under the existing contract, FVS prepare and submit an annual reconciliation of target charges that will be reviewed by the Fleet Contract Administrator for reasonableness.

Management's Response:

Concur with recommendation. The Environmental Services Director will require that, while operating under the existing contract, FVS prepare and submit an annual reconciliation of target charges that will be reviewed by the Fleet Contract Administrator. The annual target charges are identified as a fixed amount each year by contract. The reconciliation will be compared to the amount established by the contract for variances.

Target Date: October 2007

Responsibility: Fleet Services Contract Administrator

Recommendation:

The Environmental Services Director should require that the Fleet Contract Administrator implement analytical procedures to determine if non-target work performed by FVS during normal shop hours could be re-classified as target work.

Management's Response:

Concur with recommendation. Analytical procedures to determine if non-target work performed by FVS during normal shop hours could be reclassified as target work will be developed.

Target Date: March 1, 2007

Responsibility: Fleet Services Contract Administrator

Recommendation:

The Environmental Services Director, in conjunction with the Financial Services Director, should consider revising future fleet maintenance bid documents to require that bidders report total labor hours used in the estimated target bid costs. The City should then analyze the labor information to ensure that the City is not billed additionally for non-target work performed with excess target capacity.

Management's Response:

Concur with recommendation. The Environmental Services Director, in conjunction with the Financial Services Director, will consider revising future fleet maintenance bid documents to require that bidders report total labor hours used in the estimated target bid costs. The bids submitted for the current contract were not required to include labor hour estimates, and there is no requirement in the existing contract with FVS for a specific or minimum number of labor hours. The contract has the option for one remaining extension for a period of one year, which will be for FY 2008. When the development of the bid document for future services is developed, this recommendation will be included.

Target Date: Upon bid on fleet maintenance contract (Spring 2008 anticipated)

Responsibility: Environmental Services Director and Purchasing Supervisor

Recommendation:

The Environmental Services Director should require that a summary of non-target costs incurred by specific departments due to abuse/neglect, accidents and physical damage be formally communicated, in writing, to appropriate Department Heads on no less than a monthly basis.

Management's Response:

Concur with recommendation. Due to the relative size of their respective fleets, most non-target costs incurred by the City are related to the public safety, public works, and water utilities departments. The Environmental Services Director will ensure that a monthly report indicating total non-target charges incurred due to abuse, neglect or carelessness (including accidents) is sent to the appropriate department heads.

Target Date: Implemented

Responsibility: Fleet Services Contract Administrator

2. Subcontractor invoices were not detailed.

First Vehicle Services sometimes subcontracts mechanical and auto body work. However, the subcontractor invoices are not always detailed. The invoices include total amounts due, but provide no information as to what makes up those amounts (parts, labor, etc.)

Of the subcontractors submitting detailed invoices, most indicated that the work performed and/or parts purchased were exempt from sales taxes. However, some subcontractors billed for sales taxes, totaling approximately \$1,000. In one isolated instance, sales taxes were inadvertently applied to labor, which is a non-taxable component.

FVS confirmed that sales taxes should not have been charged and indicated that future invoices would be reviewed to ensure that sales taxes are not charged. It appears that FVS inadvertently overlooked sales taxes that were billed.

Also, vehicle identification numbers (VINs #) or City vehicle numbers were sometimes not documented on the vendor invoice.

Management considered its review of monthly non-target invoices (submitted via Excel spreadsheets) sufficient and did not review detailed subcontractor invoices for propriety. However, by doing so, subcontractor invoices cannot be properly analyzed, invoice reasonableness is harder to determine and erroneous charges are harder to detect.

Recommendation:

The Environmental Services Director should require that payments for subcontracted work be supported with detailed invoices that specify billing components such as parts, labor, taxes, VIN/ City vehicle number, etc. and that City staff randomly review subcontractor invoices for propriety prior to authorizing payment.

Management's Response:

Concur with recommendation. The Environmental Services Director will require the contractor to receive and maintain detailed invoices from all subcontractors prior to submitting requests for non-target payment for this work to the City, and will also ensure random reviews of these detailed invoices prior to authorizing payment. FVS was advised of this requirement and began complying December 1, 2006; the random review of subcontractor invoices by the Contract Administrator began at the same time.

Target Date: Implemented

Responsibility: Fleet Services Contract Administrator

3. Vehicle safety inspections were untimely.

All Texas-registered vehicles are required to receive an annual inspection. However, not all City vehicles were submitted for safety (and emissions, if applicable) testing in a timely manner. Our audit results indicated that comprehensive safety inspections ranged anywhere from a few days to over seven months late. Time constraints may have delayed vehicle safety inspections which ensure compliance with state law, help identify vehicles that are not operating properly, help ensure driver safety, and provide an indication as to whether excessive pollutants are being discharged into the environment.

Vehicle users often overlook overdue vehicle inspections. However, as a part of the City's contract, FVS notifies departments on an on-going basis regarding overdue maintenance, including vehicle safety inspections. By not having inspections performed in a timely manner, staff could unknowingly operate dangerous vehicles and the City could incur unnecessary negative publicity, especially from citizens who have been ticketed for vehicle inspection violations.

Recommendation:

The Environmental Services Director should establish a procedure requiring that Department Heads be contacted to enforce policy when a department has not complied with FVS' request that vehicles be brought in for inspections.

Management's Response:

In addition to the notices sent to departments by FVS indicating that a vehicle is due for service, FVS has recently instituted a program to distribute a monthly Safety Inspection report for units coming due for annual safety inspections. This report will be distributed to the department heads, and copied to their staff members as they designate. (See audit report Exhibits I and II, respectively, for examples).

Target Date: Implemented

Responsibility: Fleet Services Contract Administrator

4. There are no written procedures to govern the City's fleet management.

Written procedures help provide guidance, uniformity and help ensure that future staff persons given the responsibility for managing the fleet services contract are aware of their responsibilities and the City's requirements. However, written procedures addressing management of the City's fleet do not exist.

- City Administrative Regulation #14, last updated 04/05/95, provides rules governing the use of vehicles, as well as positions which may be assigned City vehicles. The policy states that the employee shall ensure that all required preventive maintenance and repair work is done to his/her vehicle. The policy further states that failure to ensure proper maintenance shall result in discipline, up to and including loss of the assigned vehicle.
- City Administrative Regulation #15, last updated 02/07/97, provides guidelines governing vehicle identification (equipment numbers, exterior markings, etc.)
- Section 205.04 of the City's Personnel Policy Manual provides general guidelines that City vehicles, including on-call vehicles, are restricted to business use.

The City has contracted with FVS to plan ongoing vehicle replacement schedules, cascade vehicle assignments throughout the fleet, manage the City's motor pool, etc. while the Fleet Contract Administrator determines necessary vehicle purchases (including the type of vehicle) and dispositions. The Fleet Contract Administrator indicated that he makes such determinations after taking into consideration vehicle age, mileage, condition, fund availability and user needs. A comparison of total individual vehicle repair costs to the fair market value of the vehicle is made when deciding whether to dispose of a vehicle. Good business practice is to establish written procedures that document how these duties are to be performed.

Other than the written policies mentioned above, there were no written procedures to address the City's fleet management. Management considered service delivery a top priority and, therefore,

placed more emphasis on end user issues such as downtime and performance. Without written policies or procedures, the likelihood that procedures are performed properly and consistently is decreased.

Recommendation:

The Environmental Services Director should ensure that written policies and procedures related to the effective management of fleet services are developed and adhered to. Fleet Management policies and procedures should include, but may not be limited to, vehicle acquisition, maintenance, rotations and disposition.

Management's Response:

Concur with recommendation. Written procedures will be developed prior to March 1, 2007, covering the scope of the City's responsibilities for fleet management. Briefly these will include:

- Acquisition – With a few exceptions for specialty vehicles such as fire apparatus, the City purchases its vehicles from state contracts and buy boards. All replacements are for vehicles that have reached the end of their useful lives, except for the annual purchase of police patrol units.
- Maintenance – The City does not manage the maintenance of vehicles. Managing the routine maintenance of City vehicles is the responsibility of FVS. The Contract Administrator oversees and approves (or denies) non-target repairs of vehicles that are necessitated by accidents, operator abuse, stripping for auctions, up-fitting of specialized equipment, and repairs to vehicles that have exceeded their replacement lives.
- Rotations – The “cascading” of vehicles, if/when appropriate, is the responsibility of the contractor. This responsibility was transferred as part of the contract amendment adopted in April 2005, and will be monitored by the Contract Administrator.
- Disposition – The City auctions vehicles in accordance with rules and procedures established by the Purchasing Division. Vehicles are auctioned when they are replaced, or deemed no longer necessary to support the delivery of services to citizens.

Target Date: March 1, 2007

Responsibility: Fleet Services Contract Administrator

Audit Comment:

Internal Audit is aware of the contractor's responsibility to provide routine vehicle maintenance. Although management has indicated that the City does not manage the maintenance of vehicles, it is our opinion that the City is ultimately responsible for the overall management of fleet maintenance. The overall management of the City's fleet would include activities such as following up with user departments that are not complying with the contractor's maintenance requests, obtaining user input and feedback regarding the quality of vehicle repairs, and ensuring that vehicles are assigned in a manner that minimizes idle use among administrative departments.

Audit Follow-Up

The following table summarizes the status of audit recommendations presented in Internal Audit's Fleet Services Administration audit report dated January 14, 2005.

<i>Prior Audit Recommendation</i>	<i>Current Status</i>
1. Routinely verify the validity of FVS performance calculations and request adjustments where necessary.	<i>Implemented</i> - Fleet Services indicated that all performance calculations are verified. At least since June 2006, the City has not requested information from FVS to validate performance calculations. Fleet Services does have access to FleetFocus and, therefore, has the ability to independently validate vendor performance calculations. However, since the verifications were not documented, Internal Audit could not confirm the validations.
2. Periodically survey fleet users regarding repeat repair, roadside assistance and preventive maintenance, and compare survey responses to reported compliance. Research and resolve any differences.	<p><i>Implemented</i> - There was no evidence that the Fleet Contract Administrator provided formal, written fleet surveys to users. The Fleet Contract Administrator indicated that no contractor problems were reported at departmental fleet meetings during which contractor performance and customer satisfaction issues were discussed.</p> <p>Internal Audit observed critique cards that First Vehicle Services provides users. FVS' summary of user responses includes: number of critique cards sent, number returned, number of users rating maintenance service as excellent, good, fair and poor, etc. FVS records indicate that on an average, less than 15% of the critique cards are usually returned. None are reviewed by City management. Internal Audit did not verify the validity of critique survey responses.</p>

<i>Prior Audit Recommendation</i>	<i>Current Status</i>
3. Coordinate with FVS to establish a mechanism to increase preventive maintenance compliance citywide.	<i>Implemented</i> – Preventive maintenance intervals were modified, and are now scheduled by vehicle category.
4. Require pre-authorization for non-target work expected to exceed \$1,000.	<p><i>Implemented</i> – Written pre-authorization of approximately 16 of 26 (62%) sample work orders that were in excess of \$1,000 was not located. However, FVS and Fleet Services indicated that verbal authorization could have been obtained.</p> <p>Under the current invoice review process, the Fleet Contract Administrator may disapprove payments for any work that was not pre-authorized.</p>
5. Require the contractor to obtain more than one quote/bid for repairs over a certain dollar amount (such as \$3,000.)	<p><i>Not Implemented</i> – Quotes/bids for repairs were not received. FVS indicated that an attempt to obtain three bids was made after the January 2005 audit; however, low bids often resulted in unsatisfactory work. FVS' current practice is to obtain an estimate from a selected appraiser. City vehicles are then taken to a repair shop with repair work not-to-exceed the independent appraiser's estimate. The Fleet Contract Administrator indicated that the City's practice is to rely on FVS' expertise to evaluate repairs and select the most appropriate location for the work to be performed.</p> <p>Although three bids are not received, the contractor is in compliance with the contract which states the contractor will arrange for solicitation of at least three (3) estimates (if requested.) The Fleet Contract Administrator has not requested three bids/quotes.</p>
6. Consider requiring departments to budget for non-target work.	<p><i>Implemented</i> – The Water Utilities Department budgets non-target work. General Fund departments do not.</p> <p>In order to relieve budgetary constraints, General Fund departments are occasionally asked to contribute to the cost of a repair that results from negligence, abuse, etc.</p>

<i>Prior Audit Recommendation</i>	<i>Current Status</i>
7. Require Fleet Services and user department personnel to indicate approval of non-target expenditures on the authorization form.	<p><i>Not Implemented</i> - Our audit results indicated that most written non-target authorizations for charges estimated to exceed \$1,000 were obtained via e-mail. FVS indicated that verbal authorizations may have been obtained in instances where e-mails were not located.</p> <p>The Fleet Contract Administrator chose not to require user department approval since doing so could unnecessarily slow the repair process.</p>
8. Establish different reason codes for each category of non-target expenditures (accidents, damage, abuse, capital, auction, etc.) to more accurately track why non-target expenditures occur and require FVS to utilize these codes in the fleet system.	<i>Implemented</i> - Reason codes are established and utilized within FleetFocus.
9. At the end of each month, report all non-target repairs related to accidents to the Risk Management Division for follow-up.	<p><i>Partially Implemented</i> - Internal Audit could not verify that all accidents had been reported to Risk Management.</p> <p>Upon City approval, FVS may repair vehicles due to "accidents" although neither FVS nor the Fleet Contract Administrator is in receipt of supporting accident reports.</p>
10. Establish a methodology to ensure that invoices are reviewed for duplication.	<p><i>Implemented</i> - The Fleet Contract Administrator reviews monthly billings to identify duplicates.</p> <p>Internal Audit identified two duplicate billings, totaling approximately \$3,600. The contractor credited the City on subsequent invoices.</p>
11. Document and communicate the responsibilities of user departments related to non-target services.	<i>Partially Implemented</i> - Internal Audit results indicated that user departments were occasionally briefed on non-target service matters. However, Internal Audit saw no evidence that user departments' responsibilities had been documented.

<i>Prior Audit Recommendation</i>	<i>Current Status</i>
<p>12. Perform periodic analytical reviews to determine whether any non-target work billed to the City was performed with excess target capacity.</p>	<p><i>Not Implemented</i> – Staff does not perform analytical reviews to determine whether any non-target work billed to the City was performed with excess target capacity. Details supporting the status of this recommendation are presented in the Detailed Audit Findings section of this audit report.</p> <p>Although Internal Audit concluded that this recommendation had not been implemented, the Fleet Contract Administrator feels that they have satisfied this audit recommendation. The Fleet Contract Administrator indicated that they have continuous dialogue with FVS to ensure that non-target work is not performed with excess target-hour capacity.</p>
<p>13. Establish a methodology to ensure that the contractor is accurately reflecting the actual cost of providing both target and non-target services to the City in the fleet system.</p>	<p><i>Not Implemented</i> – Audit results indicated that no methodology had been established to ensure that the contractor accurately reflected the actual cost of providing target and non-target services. Details supporting the status of this recommendation are presented in the Detailed Audit Findings section of this audit report.</p> <p>Although Internal Audit concluded that this recommendation had not been implemented, the Fleet Contract Administrator feels that it has. The Fleet Contract Administrator stated that FVS understands that, upon request at any time, FVS must be able to demonstrate the accuracy of actual costs reported in the Fleet Focus system. The Fleet Contract Administrator further stated that Fleet Services has continuous dialogue with FVS to ensure that non-target work is not performed with excess target-hour capacity.</p>
<p>14. Require Fleet Services staff members to quantify the time spent on tasks performed.</p>	<p><i>Implemented</i> – Internal Audit saw no documentation quantifying time staff spent on tasks performed. Environmental Services did, however, make staffing changes to address the recommendation.</p>

<i>Prior Audit Recommendation</i>	<i>Current Status</i>
<p>15. Analyze duties performed by the Fleet Contract Administrator, the Parts and Purchasing Supervisor (including, but not limited to, the authorization and approval of non-target expenditures and bid specification writing) and the Purchasing Technician to determine if the responsibility for performing those duties could be shifted to other departments or personnel within Fleet Services. Adjust staffing levels according to the results of his analysis.</p>	<p><i>Implemented</i> – Staffing levels were adjusted by reclassifying the Purchasing Technician position and eliminating the Parts and Purchasing Supervisor position. FVS assumed some of the duties previously performed by the Parts and Purchasing Supervisor.</p>

ALL Depts. PM Status Heavy Trucks, 6000 Mile

11/20/2006

ORG	UNIT	VEHICLE DESCRIPTION	PM CLASS	LAST METER READING	LAST METER DATE	PM START DATE	MILES REMAINING		Type	Scheduled
							METER READING	UNTIL NEXT		
7230	2504	FREIT	PM4107	96,604	11/16/06	07/05/06	90,631	27	A	HERE-MAIN
7230	2736	STRLG	PM4107	11,907	11/20/06	03/10/06	6,189	282	A	HERE-SOUTH
7230	2739	CHVRL	PM4107	11,245	09/27/06	11/10/05	5,855	610	A	HERE-SOUTH
7230	1604	FORD	PM4107	132,595	11/13/06	12/05/05	127,438	843	A	12/5/2006
7230	2333	NVSTR	PM4107	60,909	11/09/06	02/10/06	55,923	1,014	A	
7230	1905	GMC	PM4107	106,043	11/03/06	12/27/05	101,595	1,552		
7240	1787	FORD	PM4107	121,126	11/20/06	07/20/06	117,070	1,944		
7230	1608	FORD	PM4107	38,671	11/16/06	04/11/06	125,032	2,361		
7240	2067	NVSTR	PM4107	72,922	11/15/06	08/08/06	69,420	2,498		
7230	1609	FORD	PM4107	101,897	11/13/06	04/11/06	98,750	2,853		
7230	2502	FREIT	PM4107	86,939	11/07/06	06/20/06	83,922	2,983		
7230	1611	FORD	PM4107	108,806	09/26/06	09/18/06	105,838	3,032		
7230	1729	GMC	PM4107	81,478	11/15/06	02/03/06	78,563	3,085		
7230	1602	FORD	PM4107	94,929	10/17/06	10/18/05	92,128	3,199		
7230	2505	FREIT	PM4107	54,140	11/20/06	03/28/06	51,431	3,291	C	12/8/2000
3630	2345	FORD	PM4107	87,082	11/16/06	08/24/06	84,403	3,321		
7230	1603	FORD	PM4107	84,818	11/15/06	01/19/06	82,217	3,399		
7230	1605	FORD	PM4107	53,908	11/13/06	06/26/06	51,331	3,423		
7230	1727	GMC	PM4107	98,162	11/15/06	07/20/06	95,627	3,465		
7230	2506	FREIT	PM4107	79,029	11/07/06	09/05/06	76,529	3,500		
7230	2508	FREIT	PM4107	86,865	11/15/06	09/20/06	84,517	3,652		
7230	2737	STRLG	PM4107	14,531	10/10/06	07/24/06	12,206	3,675		
7240	1613	FORD	PM4107	116,460	10/13/06	08/08/06	114,199	3,739		
7230	3507	GMC	PM4107	113,651	11/14/06	07/18/06	111,632	3,981		
7230	2507	FREIT	PM4107	56,434	11/07/06	08/30/06	54,589	4,155		
7230	2501	FREIT	PM4107	74,909	11/13/06	08/18/06	73,086	4,177		
7230	1607	FORD	PM4107	94,477	11/06/06	05/24/06	92,952	4,475		
7230	3506	GMC	PM4107	100,996	11/15/06	08/25/06	99,511	4,515		
7230	5102	GMC	PM4107	80,815	11/07/06	03/28/06	79,526	4,711		
7230	2357	FREIT	PM4107	19,978	11/01/06	09/29/05	18,702	4,724	A	12/13/2006
7230	2503	FREIT	PM4107	87,551	11/13/06	08/17/06	86,284	4,733		
7230	2332	NVSTR	PM4107	42,641	11/14/06	09/06/06	41,395	4,754		
7230	2740	TRK DUMP	PM4107	12,997	11/16/06	09/29/06	12,019	5,022		
7230	1589	FORD	PM4107	35,948	07/12/06	02/02/06	35,543	5,595		
3630	2344	FORD	PM4107	39,843	10/27/06	10/12/06	39,484	5,641		
7230	1610	FORD	PM4107	112,359	11/13/06	10/16/06	112,180	5,821		
7230	1728	GMC	PM4107	92,175	11/14/06	10/27/06	92,040	5,865		
7230	2738	NVSTR	PM4107	4,032	10/19/06	10/20/06	4,032	6,000		
7240	5101	NVSTR	PM4107	29,114	10/18/06	11/15/06	29,114	6,000		

Equipment ID	Year	Manufacturer	Description	Department ID	Department to notify for PM	PM service	Last PM date	Date due	Days Late
597	1999	FORD	SEDAN FULL SIZE	7990	7990	S	4/13/05	4/21/06	228
672	2000	FORD	SEDAN FULL SIZE	7911	7911	S	5/10/05	5/13/06	206
999	2003	FORD	SEDAN FULL SIZE	8133	8133	S	12/6/05	12/1/06	4
1042	1993	VWGM	GUZZLER	7990	7990	S	1/31/06	12/1/06	4
1125	1990	FORD	FIRE ENGINE 1250 GPM	2222	2222	S	2/10/06	12/29/06	
1126	1995	KME	FIRE ENGINE 1250 GPM (WRECK)	7914	7914	S	12/2/04	3/16/05	629
1129	1998	FREIT	FIRE ENGINE 1250 GPM	2220	2220	S	1/31/06	9/30/06	66
1130	1998	FREIT	FIRE ENGINE 1250 GPM	2220	2220	S	12/22/05	12/2/06	3
1137	2000	SPART	FIRE ENGINE 1250 GPM	2220	2220	S	12/2/05	9/29/06	67
1142	2003	SPART	FIRE ENGINE 1250 GPM	2220	2220	S		11/15/06	20
1209	1998	SPART	FIRE TRK QUINT 75 FT 1250 GPM	2220	2220	S	12/7/06	10/9/06	57
1210	1998	SPART	FIRE TRK QUINT 75 FT 1250 GPM	2220	2220	S	1/4/06	12/14/06	
1211	1998	SPART	FIRE TRK QUINT 75 FT 1250 GPM	2220	2220	S	2/8/06	12/29/06	
1319	1998	FORD	FIRE BRUSH TRUCK 100 GPM 4X4	2220	2220	S	10/20/05	10/20/06	46
1411	1993	CHVRL	SUBURBAN 3/4 T 4X4	5411	5411	S	4/26/05	4/26/06	223
1497	1994	CHVRL	UTILITY 3/4 T	6220	6220	S	12/12/05	12/1/06	4
1504	1994	CHVRL	UTILITY 3/4 T	7990	7990	S	7/1/04	7/1/05	522
1573	1994	CHVRL	FLEETSIDE 1 T CC	7990	7990	S	10/20/05	10/20/06	46
1595	1994	FORD	FLEETSIDE 1/2 T	7603	7603	S	12/28/05	12/28/06	
1599	1994	FORD	FLEETSIDE 1/2 T	7230	7230	S	12/27/05	12/27/06	
1608	1995	FORD	TRK DUMP	7230	7230	S	11/28/05	11/28/06	7
1612	1995	FORD	TRK STAKE W/CRANE	6220	6220	S	6/24/05	4/1/06	248
1613	1995	FORD	TRK DUMP 12 FT 6 YD	7240	7240	S	11/9/05	11/9/06	26
1614	1995	FORD	TRK DUMP 12 FT 6 YD	5424	5424	S	10/28/05	10/28/06	38
1617	1994	CHVRL	SUBURBAN 3/4 T	3840	3840	S	11/3/05	11/2/06	33
1710	1987	INTER	TRL EQUIP 30000LB	6700	6700	S	3/15/05	3/15/06	265
1711	1987	INTER	TRL EQUIP 30000LB	6700	6700	S	4/29/05	4/29/06	220
1714	1987	INTER	TRL EQUIP 30000LB	6300	6300	S	12/13/04	12/13/05	357
1730	1992	NVSTR	TRK CREW CC	6300	6300	S	3/6/06	12/12/06	
1757	1995	FORD	BRONCO FULL SIZE 4X4	6310	6310	S	12/13/05	12/13/06	
1790	1996	FORD	TRK DUMP TANDEM	6300	6300	S	12/21/05	10/19/06	47
1793	1996	FORD	TRK DUMP TANDEM	6300	6300	S	1/18/06	10/30/06	36
1809	1996	CHVRL	FLEETSIDE 1/2 T EXT	7990	7990	S	8/18/05	8/17/06	110
1816	1996	CHVRL	FLEETSIDE 1/2 T	8132	8132	S	10/17/05	10/14/06	52
1823	1996	CHVRL	FLEETSIDE 1/2 T	4180	4180	S	12/5/05	12/5/06	
1840	1996	CHVRL	TRK SIGN	7990	7990	S	9/7/05	8/31/06	96
1882	1993	TRKNG	TRL EQUIP	6110	6110	S	4/8/05	4/8/06	241
1963	1997	CHVRL	FLEETSIDE 3/4 T	6600	6600	S	12/12/05	12/12/06	
1964	1997	CHVRL	FLEETSIDE 3/4 T	7230	7230	S	12/19/05	12/16/06	
2004	1992	GMC	TRK WELDING WHOIST	6110	6110	S	4/6/05	3/10/06	270
2005	1997	CHVRL	FLEETSIDE 1/2 T EXT	7990	7990	S	8/5/05	8/5/06	122
2082	1998	FORD	VAN CARGO	8133	8133	S	7/1/05	6/29/06	159
2106	1992	CHVRL	TRK STAKE	7990	7990	S	7/30/04	8/15/06	112
2132	1999	FORD	TRK LAB	6600	6600	S	10/20/05	10/20/06	46
2186	1997	MERKI	OUTBOARD MOTOR	8133	8133	S	1/15/00	1/15/00	2516
2328	2001	NVSTR	TRK DUMP W/SADLCOMPT	6110	6110	S	11/17/05	3/10/06	270
2332	2001	NVSTR	TRK HOOKLIFT	7230	7230	S	12/6/05	12/6/06	
2398	2000	FORD	SEDAN MID SIZE	4180	4180	S	10/12/05	10/11/06	55
2399	2000	FORD	SEDAN MID SIZE	6110	6110	S	8/22/05	8/22/06	105
2410	2000	FORD	SEDAN MID SIZE	8140	8140	S	11/14/05	11/10/06	25
2421	2001	C&S	TRL TANDEM UTILITY 16'	6300	6300	S		10/5/04	791
2437	2001	FORD	FLEETSIDE 3/4 T	7911	7911	S	10/13/05	10/13/06	53
2459	2001	FORD	FLEETSIDE 1/2 T	6110	6110	S	10/19/05	10/19/06	47
2463	2001	FORD	FLEETSIDE 1/2 T	6210	6210	S	10/12/05	10/12/06	54
2477	2001	FORD	FLEETSIDE 1 T CC	5421	5421	S	12/19/05	12/19/06	
2496	2001	INTER	TRL EQUIP 40000LB	6310	6310	S	11/2/05	11/2/06	33
2500	2001	FREIT	TRK ROLL-OFF	3410	3410	S	3/4/05	3/4/06	276
2538	2002	FORD	FLEETSIDE 3/4 T 4X4	6310	6310	S	11/3/05	11/3/06	32
2589	2002	FORD	SEDAN MID SIZE	2230	2230	S	9/7/05	9/7/06	89
2613	2002	FORD	SEDAN MID SIZE	4180	4180	S	12/12/05	12/12/06	
2619	2002	FORD	SEDAN TAURUS	7700	7700	S	7/20/05	7/20/06	138
3506	1992	GMC	TRK DUMP	7230	7230	S	12/20/05	12/20/06	
5099	1991	INTER	TRL EQUIP 30000LB	7230	7230	S	6/9/05	6/9/06	179